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Top Secret 219

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday 13 October 1977

CG NIDC 77/238C

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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Thursday, 13 October 1977

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The NID Cable is for the purpose of informing senior US officials.

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CUBA-US: Economic Relations

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[] //Cuban leaders reiterated in two major policy speeches last week that the US must lift the economic blockade without any Cuban concessions in return before major progress can be made on other bilateral issues. President Fidel Castro, in his speech to a Cuban audience, went on to play down the importance of normalized relations with the US. Marcelo Fernandez Font, the Foreign Trade Minister, painted an unrealistically optimistic picture of potential trade benefits to the US in speaking to a group of businessmen in Washington.//

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[] //Both men stated that major problems still separate the US and Cuba and that normalization could be a long and slow process. They did not rule out the possibility of Cuban compensation for nationalized US properties, but stated that Cuban counterclaims for US economic sanctions and "aggression" could exceed the \$1.8 billion US claim. Castro also said the US naval base at Guantanamo Bay remains an irritant that will eventually have to be resolved.//

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[] //Fernandez reflected Cuba's attempt to elicit US business support for improved relations by grossly exaggerating the potential benefits to the US of normalization. He asserted that annual US exports to Cuba could amount to \$300 million to \$350 million initially and exceed \$1.0 billion in three to four years.//

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[] //We believe that US exports could possibly reach \$300 million-\$350 million in the first year or two, primarily because of diversion of Cuban purchases from other Western countries. There is little likelihood, given Cuba's continued tight foreign payments position, that exports could reach \$1.0 billion in the following two years. Cuba's hard-currency earnings will grow slowly even with a new international sugar agreement. Havana's ability to draw significantly on new credits will be inhibited by already high debt service obligations.//

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[] //Cuban officials have often stated that the US share of hard-currency trade after normalization will not reach 50 percent. Under these circumstances, US exports to Cuba would amount to no more than \$750 million by 1981. []

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SOUTH AFRICA: Government vs. Press

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Several major South African newspapers are defying government threats of censorship by demanding official explanations of the death of Steve Biko, the black political activist who died in police custody on 12 September.

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The South Africans have not released the autopsy report on Biko, expected to have been completed by last Monday, and two English-language papers have threatened to publish further details about Biko's death if the government does not provide the facts soon. The press has already printed reports that Biko, whom the government claimed died from a hunger strike, suffered critical injuries to the brain and broken ribs, burns, and possible kidney failure while in prison.

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The government has reacted by lodging complaints against two newspapers, including the nation's largest black paper, through a press council set up to enforce a code of self-censorship. The press council was established in March after the government backed down in the face of national and international protest on enacting proposed strict press censorship legislation.

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The press was given a year's time to censor itself by means of a press code which includes some of the sweeping measures that were in the proposed legislation. The press council can fine a newspaper \$11,500 and require a retraction for contravening the press code. The government already has the power

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to impose censorship over all means of communication in times of war; this authority was extended earlier this year to cover periods of internal disorder.

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[] Last month Prime Minister Vorster told a National Party congress that the government was watching the press and was prepared to reintroduce the censorship legislation, which contains provisions to close newspapers, if the press did not put its house in order within the allotted year.

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[] Prolonged government delay in reporting the circumstances surrounding Biko's death can only increase the tension between the South African Government and the press. Vorster, concerned about extensive public criticism of his government, might then carry out his threat. []

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POLAND-FRANCE: Economic Accords

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[] Polish party leader Gierek during his visit to France last month obtained a French agreement to finance Polish grain imports and to buy more Polish coal. No major trade or credit agreements were concluded, however, as occurred during state visits in 1975 and 1976. The absence of such agreements--together with the Polish cancellation of negotiations on a large French contract--may reflect Poland's need to control its hard-currency trade deficit and debt by reducing less essential purchases of Western goods on credit.

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[] Poland accepted the French proposal to deliver up to 600,000 tons of wheat and barley in the marketing year beginning August 1977, partly because the French reportedly offered favorable terms that allow repayment over a two-year period. The purchase also reflects Poland's disastrous harvest this year and the resultant need to import record amounts of grain in fiscal year 1978. In addition, Poland received a \$50 million credit line to purchase French chemicals and semimanufactures.

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[] The Poles persuaded the French to purchase 8 million tons of Polish coal over the next 10 years. This amount is in addition to the annual purchases of 4 million tons that France is committed to under an agreement signed in 1975. A joint working group was established to study the possibility for further expansion of Polish coal exports to France.

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[] The Poles canceled negotiations on a \$600 million French bid to expand the Gdansk oil refinery. Equipment purchases for the refinery would have been financed under a \$1.7 billion French credit line extended in 1975. The cancellation apparently results from Poland's need to curb new investment projects that are dependent on hard-currency imports. Poland also wants to reduce its mushrooming trade deficit with France, which totalled \$440 million in 1976. []

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PORTUGAL: Pressure on Socialists

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[] //Portuguese President Eanes, in his speech this Saturday at the opening of the new session of the National Assembly, will probably try to alert the minority Socialist government that it cannot depend on him for its survival if it is not willing to take strong action to improve the economy. Eanes is likely also to criticize the opposition parties for not working together in the interests of the country. His speech may add more fuel to rumors that the government is on the verge of collapse, but Eanes does not yet appear willing to give up on Prime Minister Soares. []

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[] //A hard-hitting speech will enable Eanes to maintain his distance from the Socialist government and pave the way for taking a more direct role in government, if necessary, without alienating the public. He has avoided doing more than exerting behind-the-scenes influence so far but is feeling the pressure to take a stronger role now that party bickering has sharpened. He is also probably influenced by his military staff advisers, who think little of civilian politicians.//

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[] The presidential criticism will add to speculation that the Socialist government, beset by economic problems, attacks from opposition parties, and dissension within the party's own ranks, may soon be replaced. The Socialists are reportedly planning a cabinet reshuffle in an effort to restore public confidence in their rule and to counter opposition calls for a new government.

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[] The surprise resignation this week of Foreign Minister Medeiros Ferreira--who was expected to be replaced in any reshuffle--may complicate the plans. The cabinet's announcement yesterday that it continues to support Soares, however, is cooling speculation that several key ministers might resign in sympathy.

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[] The timing of the reshuffle may depend on the Socialists' ability to work out a continuation of their legislative agreement with the Social Democrats. The Socialists are considering adding some Social Democrats to the government in return for support in the legislature. The other two major parties, the Communists and the Center Democrats, are agitating for a new government and are unlikely to support the Socialists consistently.

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[] Social Democratic head Sa Carneiro, moreover, has been less enthusiastic than other party leaders about working with the Socialists.

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[] //Despite Soares' shortcomings, Eanes still appears to consider him the best choice as prime minister and is reluctant to jeopardize the ties to the West that the Socialists have forged. Eanes has said that he would prefer a majority coalition government, but probably realizes that a multiparty arrangement at this stage would only decrease government effectiveness. He can be expected to resist a more overt role for himself until most other alternatives are exhausted and until he can assume more power without risk to his popular and international support.// []

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SOUTH KOREA: Diplomatic Ties

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[] *South Korea is devoting increased attention to improving its ties with other countries at a time when North Korea has adopted a low diplomatic posture. Seoul has expanded*

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the size and number of its missions abroad, reorganized the Foreign Ministry, sent top officials abroad for bilateral discussions, and initiated modest aid programs.

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[] In a growing number of countries with which it has no official ties--Libya is a good example--South Korea has a larger physical presence than does North Korea. The South is also benefiting from the legacy of the North's rough and often offensive diplomatic style; only a few governments still feel sufficiently obligated to North Korea to eschew all dealings with the South.

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[] The increased diplomatic activity reflects several of South Korea's basic concerns. Shaken by the planned withdrawal of US ground troops over the next several years, Seoul has decided to expand its foreign relations as a means of decreasing dependence on the US. Japan, which has lobbied vigorously for South Korea's interests at the UN, is now also playing a significant role in trying to open communications lines to Communist countries and to sub-Saharan Africa. In the Middle East, Saudi Arabia is South Korea's key patron; Morocco is playing a similar, if more modest, role in North Africa.

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[] South Korea is also seeking to strengthen its economic ties with the Third World because of the mounting protectionism against South Korean goods among the industrial nations. Seoul must continue a rapid expansion of exports if it is to meet economic growth targets and fund its military development programs.

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[] This is also a period of special opportunities. South Korea's strong economic development is an irresistible attraction to countries that are seeking development aid and that appreciate the advantages of employing Korean workers on construction projects.

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[] Seoul continues to regard the Middle East as the area that offers it the best prospects for economic gain over the next several years. A stream of Arab ministers has come to Seoul, including four cabinet officials from Saudi Arabia alone. Seoul, in turn, has sent its Prime Minister and construction and commerce ministers on missions to the region.

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[] The South also has increased attempts to establish relations with Communist countries, particularly the USSR and China. Seoul would view a breakthrough in this area as a major setback for Pyongyang and as a step toward acceptance of a "two Koreas" status quo.

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[] South Korea's interest in law-of-the-sea matters has substantially increased. A bill establishing a 12-mile territorial sea is now pending, and vigorous efforts are being made to compensate for the loss of US and Soviet fishing grounds by signing cooperation agreements with littoral nations in South America, North Africa, and the Pacific.

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[] Seoul has welcomed foreign defense visitors in an attempt to increase its sales of small arms and ammunition. Morocco, Indonesia, Taiwan, the Philippines, Thailand, Ecuador, and Chile have sent top military officers to Seoul this year.

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[] In the coming year, South Korea's attempts to strengthen its international position are likely to accelerate further. The size of the Foreign Ministry is being expanded and Seoul is working to fulfill ambitious plans to establish more missions--both political and trade--abroad and to conclude a broader range of cooperative bilateral agreements. []

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BRIEFS

Brazil

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[] //Brazilian President Geisel has fired his Army Minister, General Frota, and replaced him with 3rd Army Commander General Bethlem. The official announcement states that Frota was relieved of his duties for personal reasons, but it is clear that Frota's maneuverings to promote himself as a presidential candidate caused his dismissal.//

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[] //It is not yet clear how the removal of Frota will affect the political future of intelligence chief General Figueiredo, who seems to be the front-runner to succeed Geisel in March 1979.//

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[] //The elevation of Bethlem opens up a field command and provides another slot for promotion to four-star

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general. Should Figueiredo obtain either, it would greatly strengthen his position.

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Spain

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[] The assembly of the Council of Europe yesterday unanimously recommended that Spain be invited to apply for membership. Spain is likely to become a full member before the end of the year. Portugal was admitted last year.

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[] The admission of Spain into the 19-member Council of Europe, though not unexpected, will give a psychological boost to the Spanish Government's efforts to move Spain into the EC. Senior Spanish officials, however, are well aware that it will not materially affect the EC negotiations, which will be long and arduous. []

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Equatorial Guinea - Spain

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[] Spain plans to withdraw its officials and technicians from Equatorial Guinea over the next several months, according to an official of the Spanish Foreign Ministry. The Spanish Government decided to do so after Equatorial Guinean President Macias made an anti-Spanish speech during his visit to Peking last month. A speech by Macias in March had led Spain to suspend diplomatic relations with its former colony.

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[] The Spanish intend to set the stage for their pullout by reminding Equatorial Guinea that it has not lived up to its commitments to share financial support for certain joint projects. When the Equatorial Guineans fail to respond positively, Madrid will react by withdrawing the approximately 150 Spaniards who are serving in the country. The Spanish Government is concerned, however, that once its intentions become apparent, Macias may threaten the lives of Spaniards still in the country. []

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